

Message Text

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ACTION IO-14

INFO OCT-01 NEA-10 ISO-00 EB-11 ABF-01 OMB-01 TRSE-00

PM-07 NSC-10 SPC-03 SS-20 RSC-01 CIAE-00 INR-10

NSAE-00 DODE-00 DRC-01 L-03 H-03 /096 W

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P 060950Z DEC 73

FM USINT CAIRO

TO USMISSION USUN PRIORITY

INFO SECSTATE WASHDC PRIORITY 4566

C O N F I D E N T I A L CAIRO 3817

EO 11652: GDS

TAGS: AORG ABUD US UN

SUBJECT: USE OF US-OWNED EGYPTIAN POUNDS FOR UNEF

REF: (A) USUN 1554 (REPEATED CAIRO 3631);

(B) CAIRO 3753

1. PROPOSED USE OF "US-OWNED" EGYPTIAN POUNDS FOR UNEF HAS CLEARLY GIVEN GOE PAUSE. DESPITE INDICATIONS SEVERAL DAYS AGO THAT WE WOULD RECEIVE A REPLY ON DECEMBER 4, NO FURTHER OFFICIAL WORD WAS FORTHCOMING. SOME INFORMAL SUGGESTIONS WERE RECEIVED THAT DEPUTY PRIMEMIN AND MINFINANCE HEGAZI, WHO ALLEGEDLY EARLIER OPPOSED SUCH USE, HAD COME AROUND AND WOULD INTERPOSE NO OBJECTION IF GOE POLITICAL CLEARANCE GIVEN. SUBJECT SUPPOSEDLY BEING DISCUSSED AT HIGH LEVEL.

2. IN VIEW URGENCY, AMBASSADOR RAISED SUBJECT WITH FOREIGN MINISTER FAHMY LAST NIGHT. HE POINTED OUT PROPOSED USE WAS STRICTLY IN ACCORD WITH PERTINENT USG-GOE AGREEMENT ON USE OF SUCH FUNDS AND IS CONSISTENT WITH PAST PRACTICE. WE HAD NOT EARLIER RAISED SUBJECT WITH FOREIGN MINISTER BECAUSE WE REGARDED IT AS A ROUTINE MATTER OF THE TYPE WHICH HAD FREQUENTLY BEEN ARRANGED WITH THE APPROPRIATE GOE FINANCIAL

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AUTHORITIES. ON INSTRUCTIONS FROM WASHINGTON, USINT

HAS ALREADY TRANSFERRED FUNDS TO LOCAL ACCOUNT OF UNEF, WHICH WAS ANXIOUS TO DRAW ON THEM AS QUICKLY AS POSSIBLE. AMBASSADOR ASKED THAT GOE UNBLOCK FUNDS SO THAT UNEF CAN BEGIN TO USE THEM.

3. FAHMY DEMURRED. HE INSISTED PROPOSED TRANSFER IS NOT A SIMPLE ECONOMIC QUESTION, BUT PRIMARILY A POLITICAL ONE. IN POLITICAL TERMS GOE COULD NOT AGREE TO THE PROPOSED TRANSFER. IN GOE EYES, USG IS IN EFFECT ASKING EGYPT TO PAY FOR UNEF. SAME TIME USG IS GIVING ISRAEL \$2.2 BILLION. USG SHOULD PAY UNEF IN DOLLARS AND ALSO BRING SOME DOLLARS INTO THIS COUNTRY. HE CONTENDED PROPOSED USE INCONSISTENT WITH SPIRIT, IF NOT LETTER, OF PERTINENT AGREEMENT. PERMITTING SUCH USE WILL CREATE STRONGLY ADVERSE IMPRESSION HERE.

4. AMBASSADOR PRESSED FAHMY TO RECONSIDER MATTER. GOE REFUSAL TO DO SO, HE POINTED OUT, IS LIKELY ALSO TO CREATE A BAD IMPRESSION ON US. HE REITERATED PROPOSED USE IS SANCTIONED BY OUR AGREEMENT AND BY WELL ESTABLISHED PRECEDENT. WE WERE TALKING ABOUT USING US-OWNED FUNDS. FAHMY FINALLY AGREED CONSIDER MATTER AGAIN WITH "APPROPRIATE AUTHORITIES" (PRESUMABLY CONCERNED CABINET COLLEAGUES AND PERHAPS PRESIDENT SADAT) AND ADVISE US IN DUE COURSE. HE CAUTIONED, HOWEVER, THAT HE IS NOT OPTIMISTIC GOE WILL CONCUR.

5. WILL FOLLOW UP AS APPROPRIATE.
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